

Message Text

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ACTION PM-04

INFO OCT-01 EUR-12 NEA-10 ISO-00 NSC-05 SP-02 SS-15

CIAE-00 INR-07 NSAE-00 MC-02 ACDA-07 L-03 OMB-01

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R 251432Z AUG 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 6072

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

SECDEF WASHDC//ISA//

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L KUWAIT 4078

E.O. 11652: GDS

TAGS: MASS, KU

SUBJ: US - FRENCH COMPETITION TO INSTALL AIR-TO-GROUND
MISSILE SYSTEM ON KUWAITI HELICOPTERS

REF: 75 STATE 230443 (262219Z SEP 75)

1. REFTEL STATED USG UNWILLINGNESS TO SUPPLY ON FMS
BASIS SERVICES NECESSARY TO DESIGN AND INSTALL TOW MISSILE
SYSTEM ON KUWAITI-OWNED BAZELLE HELICOPTERS. SINCE THEN,
HUGHES AIRCRAFT INTERNATIONAL HAS BEEN PURSUING MATTER
ON COMMERCIAL BASIS. ON AUGUST 22, HUGHES REP GAVE
EMBOFFS FOLLOWING REPORT ON STATUS OF CURRENT HUGHES

PROPOSAL TO FIT 24 GOK GAZELLES, SOME NOW IN KUWAIT, WITH
TOW LAUNCHER, TO-BE-DESIGNED OVERHEAD COCKPIT SIGHT,
AND SUBSEQUENT TECHNICAL SUPPORT:

A. HUGHES INITIAR PROPOSAL WAS FOR \$21 MILLION. IN
APRIL 1976, HUGHES REDUCED ITS PROPOSAL TO \$19.2 MILLION
AND WAS TOLD BY KUWAITI MOD THAT GOK WOULD STUDY PROPOSAL,
BUT THAT COST WAS HIGHER THAN THAT OF FRENCH COMPETITOR,
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WHICH HAD PROPOSED TO INSTALL HOT MISSILE SYSTEM.

MOD REP ASSERTED GOK BELIEF THAT TWO SYSTEMS WERE TECHNICALLY EQUIVALENT, AND THAT FRENCH HAD AN ADVANTAGE BECAUSE THE VAZELLES ARE FRENCH, BUT THAT HUGHES HAD AN ADVANTAGE BECAUSE MOD HAS ALREADY BOUGHT GROUND-BASED TOW MISSILES. (GOK FULLY AWARE THAT COST OF HOT MISSILE ITSELF IS NEARLY THRICE THAT OF TOW.) SINCE THIS EXCHANGE WITH MOD, HUGHES HAS BEEN UNABLE TO ELECIT FURTHER RESPONSE FROM MOD TO ITS \$19.2 MILLION PROPOSAL.

B. HUGHES REP BELIEVES THAT CURRENT FRENCH HOT PROPOSAL IS FOR ABOUT \$17 MILLION, IS CONCERNED THAT FRENCH WILL GET CONTRACT, AND ASSERTED THAT FRENCH ARE USING LOCAL KUWAITI AGENT (WHOSE NAME HE PROMISED TO PROVIDE) IN VIOLATION OF KUWAITI LAW PROHIBITING AGENTS IN DEFENSE PROCUREMENT CONTRACTS. (COMMENT: FRENCH EMBASSY SOURCE IMPLIED TO EMBOFF LAST MONTH THAT FRENCH HAD USED LOCAL AGENT IN MIRAGE SALE.) HUGHES REP ASSERTED THAT HUGHES HAS NO LOCAL AGENT.

C. FRENCH ARE VERY EAGER TO MAKE HOT SALE TO KUWAIT, SINCE THEY ARE SEEKING TO DEVELOP AND DEMONSTRATE A VIABLE HELICOPTER GUNSHIP SYSTEM WITH WHICH TO CHALLENGE US COBRA DOMINANCE OF EXPORT MARKET.

D. HUGHES AIRCRAFT INTERNATIONAL RECENTLY SIGNED CONTRACT WITH HMG TO INSTALL TOW ON BRITISH LYNX HELICOPTERS. UK CONTRACT WITH HUGHES MEANS THAT HMG WILL BE PAYING PART OF DESIGN COST FOR TOW SYSTEM OVERHEAD COCKPIT SIGHT (SAME SYSTEM WHICH HUGHES WOULD DESIGN FOR GOK GAZELLES), AND THAT HUGHES, THEREFORE, WILL BE ABLE TO REDUCE COST OF ITS PROPOSAL TO GOK STILL FURTHER. AS IT STANDS NOW, SIGHT DESIGN COST IS ABOUT \$5 MILLION.
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